



Senate leaders delay passage of conservation package

Conservation bills designed to keep energy flowing this summer were stalled in the Legislature on Wednesday by a dispute over whether some farmers should receive special protection from potential summer power blackouts.

The proposals make up a complementary, two-house conservation package that aims to save California about 4,000 megawatts of energy. The two bills -- SB 5x by state Sen. Byron Sher, D-Palo Alto, and AB 29x by Assemblywoman Christine Kehoe, D-San Diego -- together would cost the state \$1.2 billion, though Gov. Gray Davis may reduce that with line-item vetoes should the legislation reach his desk.

The dozens of conservation measures include:

- \$20 million in rebates or other incentives to encourage Californians to replace inefficient appliances, with priority given to low- and middle-income residents.

- An outreach program to teach schoolchildren about saving energy.

- \$14.5 million for efficient traffic signal lights.

Lawmakers want to give the bills to Davis before next week's scheduled spring recess begins late Thursday, but the legislation remains mired in a cross-house entanglement over a series of changes that the Assembly penciled into SB 5x on Tuesday.

The Assembly approved the bill Wednesday on a 74-1 vote, but the Senate adjourned without resolving the dispute.

Assembly leaders said that unless several proposals favorable to farmers were included in the bill, a group of Central Valley lawmakers would have opposed it.

One proposal limits the amount of time interruptible agricultural customers can lose energy to four hours a day or 20 hours per month. Michael Boccadoro of the Agriculture Energy Consumers Association said farmers and food processors are concerned that their perishables would not be able to survive beyond that amount of time.

The provision would affect "interruptible," customers, those who volunteer to lose power in emergencies in exchange for lower rates.

Assemblyman Dennis Cardoza, D-Merced, a main proponent of the proposals, said the state's farmers are going to be the most hurt by rolling blackouts and high rates this summer and "are getting ready to leave the state if we don't take care of the problem."

Davis to speak to California tonight

Gov. Gray Davis addresses the state Thursday on energy, planning a 6:05 p.m. five-minute broadcast from his office.

But the late change riled Senate leaders. Senate President Pro Tem John Burton, D-San Francisco, said it would shift costs from farmers to urban residents and develop special programs for agricultural customers.

Windfall profits tax proposed

State officials stepped up criticism of energy generators Wednesday as lawmakers pursued a tax on power producers' profits.

The windfall profits tax bill emerged with the support of Senate President Pro Tem John Burton, D-San Francisco, and a pledge by Gov. Gray Davis to consider it with "an open mind." The governor, though, wouldn't say if he would sign the legislation should it reach his desk.

"These profits are just outrageous," Davis said of energy producers, who have watched prices and earnings skyrocket over the last year. "They are coming at our expense ... and the only things companies understand is leverage."

Treasurer Phil Angelides implored policymakers to work on bringing down electricity prices instead of focusing on how to pay generators, which he described as commodities brokers seeking the highest possible price. He suggested seizing generators' power plants or taking some of their profits.

"These are very tough guys, and you don't negotiate with them by continually trying to figure out night and day how to pay their ransom," Angelides said. "You've got to push back on them. It's the only thing they understand."

The legislation, written by Sen. Nell Soto, D-Pomona, would set an 8.8 percent tax on energy generators' profits beginning this year and use the money to give ratepayers an income tax credit. Although the bill passed out of a Senate committee, a legislative analysis said the measure is still a work in progress that needs considerable clarification.

The state has never instituted a windfall profits tax, the analysis noted, but the federal government used one on oil producers from 1980 to 1988.

California to borrow \$4 billion for power purchases

California has secured \$4.1 billion in loans to help pay back state money spent to buy power for two financially struggling utilities, the state treasurer said Wednesday.

Gov. Gray Davis and the state Department of Water Resources must release details on how much the state has spent and expects to spend on the power buys to close the deal, Treasurer Phil Angelides said.

The loans are needed to preserve state government's financial health, he said.

"If we continue to chunk out of the general fund without end, we're going to deplete our treasury, we're going to harm the very programs that we care about and our credit rating will come down," Angelides said.

Davis last week asked lawmakers to approve spending another \$500 million to buy power on behalf of Southern California Edison and Pacific Gas and Electric, raising state money committed to the power buys to \$4.7 billion.

Davis administration officials told several key Democratic Assembly members last month that the state's power-buying for Edison and PG&E could cost \$23 billion by the end of next year.

Angelides said the loans would be provided by J.P. Morgan, Lehman Brothers and Bear Stearns and would be offered at a 5.38 percent interest rate as long as are paid back by Aug. 29.

The state expects to pay them back after issuing revenue bonds in May to raise more money for its power buys, he said. Those bonds will eventually be repaid by Edison and PG&E customers.

The DWR has been buying power for the two utilities since early January, when they disclosed they were on the verge of bankruptcy and electricity suppliers began denying them credit.

Edison and PG&E say they have lost more than \$13 billion since June due to high wholesale power costs the state's deregulation law blocks them from recovering from their customers.

The Standard & Poor's credit ratings agency has had the state on a credit watch "with negative implications" since its power-buying began.

Lynch says California at war with power generators

California Public Utilities Commission chairwoman Loretta Lynch said at a business conference this week that California is at war with power wholesalers whose soaring prices can only be stopped with a cap on what they can charge.

"What California is in is a war against sellers, who are taking so much value out of California's economy," she said.

When the state deregulated, "We handed California's ability to control prices to the federal government," she said. "California did not deregulate, it federalized."

Lynch then called for more federal intervention.

Power crisis hurting California economy

Californians will pay higher taxes, out-of-state investments could dry up, and public projects will be scrapped because of the state's power crisis, complicating an expected recession this year, forecasters said Wednesday.

"It is definitely a negative," said Tom Lieser, who wrote part of the UCLA Anderson Forecast, an annual report, now in its 50th year, that is prepared by specialists at the university.

The worst threat to the state's economy could come from state government itself and its scrutiny of private power suppliers, which along with blackouts and brownouts could scare new businesses away, the report said.

The state will spend \$6 billion in surplus money and about \$16 billion in bond issues to buy emergency power and purchase distribution systems this year, the forecast said.

As a result, taxes will go up. And public projects will be scrubbed for lack of money.

It is difficult to assign specific numbers to the power crunch and its immediate effect on the recession, Lieser said.

California's first lady shows off energy-efficient home

California's first lady, Sharon Davis, gave the press a glimpse into her family's energy conservation during a tour of the governor's home Wednesday.

The suburban Sacramento house and grounds together have 144 lights, and all contain halogen, fluorescent or other low-wattage lightbulbs, Mrs. Davis said.

Taxpayers paid \$339.05 for the Davis' February electricity bill, down from \$457.06 in January when the state Department of General Services did an energy audit of the home.

The energy-efficiency measures cost taxpayers about \$2,000. Mrs. Davis said that would be repaid in about a year by lower utility bills.

Around-the-clock bodyguards and a high number of outside lights makes the power bill unusually high for the 3,800-square-foot Carmichael home.

The Davis' other energy conservation measures include:

- Removing an extra freezer in the laundry room that was rarely used.
- Running the swimming pool sweeper at night when energy demands ease.
- Reducing the hot water heater temperature to about 110 degrees from around 140 degrees.
- Reprogramming the thermostat to operate on a timer set at 55 degrees during winter nights.
- Insulating the hot water heater and pipes.
- Adding blinds and drapes to windows.

Baseball and blackouts

If blackouts hit the Bay Area during baseball season, both Bay Area teams will be ready. The San Francisco Giants are planning to treat a rolling blackout like a rain delay -- without the rain. The game will stop during the blackout, but all will not be dark. City law requires the Giants to have 10 percent of its power available, and spokeswoman Staci Slaughter says that power -- from backup generators -- will be used to keep the concourse lit and for other safety measures. But the game will be delayed until the blackout is over, she said, adding that the Giants are working on a "long-term plan" to address the issue should it come up in the summer.